

RENEWABLE RESOURCE GRANT AND LOAN PROGRAM

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Application Instructions and Forms For Governmental Entities

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Montana Renewable Resource Grant and Loan Program

Application Instructions and Forms

for

Governmental Entities

**Department of Natural Resources and Conservation
Resource Development Bureau
P.O. Box 201601
1625 Eleventh Avenue
Helena, Montana 59620-1601**

**Telephone: (406) 444-6668
Fax: (406) 444-6721**

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The Renewable Resource Program

Instructions and Forms for Grant And Loan Applications

General Information

The Montana Legislature established the Renewable Resource Grant and Loan Program to enhance Montana's renewable resources. The program is administered by the Resource Development Bureau of the Department of Natural Resources and Conservation (DNRC). This program is funded through interest accrued on the Resource Indemnity Trust Fund (RIT).

Governmental and private entities are eligible to apply for renewable resource grants and loans. The application forms in this booklet are for **governmental entities only**. If you have prepared your application using word processing software, please include a copy of the application on a diskette (preferably 3" diskette). Clearly identify the software used and the names of all files.

This application is available electronically on the DNRC website at www.dnrc.state.mt.us/cardd/loangrnt.htm

Public Facility Project Applications

Applicants for public facility projects (drinking water, wastewater, and solid waste projects) must submit the *Uniform Application Supplement for Montana Public Facility Projects* in lieu of Steps 1, 2, 3, 4, and 6 of this application. Public facility project applicants must complete Step 5 (Project Management Plan) and Step 7 (Renewable Resource Benefits) of this application. A separate supplemental form containing Step 5 and Step 7 is available from DNRC. Contact DNRC at 444-6668 or DNRC's website at www.dnrc.state.mt.us/cardd/loangrnt.htm for additional application materials.

Applicants should submit **the original and three (3) additional copies** of your application, including copies of all supporting documentation and a **\$250 application fee**, to:

**Montana DNRC
Resource Development Bureau
P.O. Box 201601
1625 Eleventh Avenue
Helena, MT 59620-1601**

**Phone: (406) 444-6668
Fax: (406) 444-6721**

Application Deadline

Application forms must be **hand delivered to DNRC or postmarked no later than May 15, 2000**. If you have questions or if we can help you in any way, please contact our office at (406) 444-6668.

Applicant Eligibility

Grants and Loans for Governmental Entities

Eligible applicants include any division of state government, tribal government, or other county, city, or local political subdivision. These entities, called governmental entities, in the past have included cities, towns, counties, county conservation districts, water and sewer districts, school districts, irrigation districts, joint boards of control, state agencies, and universities.

Grants and Loans for Private Individuals

The Resource Development Bureau also administers other grant and loan programs that may be of interest to you or the group you represent. For example, the Private Grant and Loan Program offers grants and loans to any individual, association, partnership, corporation, or nongovernmental entity. Funds are available **only for water-related projects**. Grants to private entities are limited by law to 25 percent of the project cost or \$5,000, whichever is less. Loans to private entities may not exceed the lesser of \$200,000 or 80 percent of the fair market value of the security given for the project. By law, loans to private entities must be secured with real property. However, private, water-user associations are eligible for loans of up to \$300,000 based on the applicant's ability to repay the loan.

Private grant and loan applications are managed under a process that is separate from the process for public entities. The legislature appropriates funds for private use during the regular legislative session. Application deadlines are set after the appropriation is made. Private individuals apply to the Renewable Resource Program through a separate application. For more information or application materials contact DNRC's Resource Development Bureau at (406) 444-6668.

Project Eligibility

The types of projects that are eligible for funding are specified in *Montana Code Annotated* (MCA) §85-1-602.

- [1] Either grants or loans may be provided to fund the following types of projects:
- (a) feasibility, design, research, and resource assessment studies;
 - (b) preparation of construction, rehabilitation, or production plans; and
 - (c) construction, rehabilitation, production, education, or other implementation efforts.

Renewable resource projects, including water conservation, water quality, forestry, air quality, resource education, waste management, and other renewable resource-related projects, are eligible to receive grant and loan funding. Projects must enhance the common well-being of Montanans through the conservation, management, development, or protection of a targeted renewable resource. Projects that have received funding in the past include research and demonstration of improved farming practices, water conservation, resource planning studies and education, improved forest resource management, and development of better access to recreational opportunities.

Other eligible projects have produced feasibility and design studies for renewable resource projects. Numerous community infrastructure projects for water supply, wastewater, and solid waste facilities have received funding under this program. Funding is available for both preliminary engineering/design and construction of these facilities.

Eligible water-related, renewable resource projects include projects to construct or repair works for the purpose of irrigation, flood prevention, drainage, or the supply of water for public, domestic, industrial, stock, fire protection, or other beneficial uses. Eligible projects also include those for the protection or benefit of fish and wildlife; improvement of public, water-based recreational opportunities; and development of hydropower. All means of conserving and distributing water are considered "works" and qualify for funding considerations.

The Renewable Resource Grant Program funds watershed projects that protect and improve water quality. Projects that control erosion, restore riparian zones, and help plan for the management of surface water and groundwater sources have received funding. Recreational projects that do not have resource benefits like municipal swimming pools or golf course developments are less likely to receive funding.

Funding Selection

After grant applications are received, DNRC staff and consultants will review the applications and make recommendations. The department director and the governor then review the recommendations. By January 2001, these recommendations will be finalized and submitted to the Montana Legislature for approval. Legislative authorization will be completed near the end of April 2001. Successful applicants may execute Grant Agreements and Bond Purchase Agreements with DNRC after July 1, 2001.

For a complete discussion of the criteria for ranking grant applications, please see section, *Grant Application Ranking Criteria*, on the following page.

Funding Limitations

Grants

Funds are appropriated directly by the legislature based upon recommendations from DNRC. DNRC limits its grant funding recommendations to a maximum of \$100,000 for any one renewable resource project.

Loans

The department does not put a specific limit on the recommended loan amount. The limit is essentially the maximum amount that can be borrowed by the local government and repaid. Local governments enter into debt by issuing bonds. The type of bond that needs to be issued is dependent upon the type of local government and the source revenue used to make the payments. There are basically two categories of bonds. Revenue bonds are bonds that pledge the revenue of a system and are generated through rates and charges for the use of the system. The other type of bond is a tax backed bond where the taxing authority of the local government is pledged as the source of repayment.

Drinking water and wastewater projects are encouraged to apply to the State's Revolving Fund (SRF) loan programs. These SRF loan programs are specifically designed to provide below market interest rates for these types of systems. However, there are renewable resource projects that are not eligible for funding under the SRF programs. An example would be the rehabilitation of an irrigation diversion

dam. For these projects, the Renewable Resource Loan Program provides an excellent source of loan funds. If the applicant can demonstrate a high cost of water or other financial hardships, the department may recommend a below market rate loan. The identified costs and financial hardships will be compared to other projects that have been funded by the Renewable Resource program as well as other agencies. The amount of the subsidy depends upon the specific need that is demonstrated by the borrower.

Grant Application Ranking Criteria

DNRC and a technical review team evaluate the merit of each application according to the following five categories.

1. Financial Feasibility (-100 points)

Financial feasibility is determined by DNRC's technical review team, a group of experienced individuals who evaluate the merits of similar proposals based on standard principles of finance. The reviewers determine whether the funds necessary to complete the project are available. They must also determine whether the costs identified in the project budget are justified. Reviewers will evaluate the security of the other funding sources that are necessary to complete the proposal; whether documentation of these funds is provided; whether the security required to support a loan requested in conjunction with the grant exists and is sufficient; and whether matching funds are in-kind contributions or another form of soft match.

If this review uncovers any deficiencies in a proposal's financial feasibility, points are deducted. An acceptable application loses no points, a marginal application loses 50 points, and a doubtful application loses the maximum of 100 points.

2. Adverse Environmental Impact (-100 points)

DNRC will review the environmental narrative and checklist submitted with each application to identify the seriousness of any potential environmental impacts. If any adverse effects would result from a project, those impacts are evaluated against the environmental benefits of the project. DNRC will also consider the effectiveness of measures to mitigate adverse impacts. Points are deducted incrementally depending on the seriousness of any adverse impacts. If the adverse environmental impacts of the project outweigh the environmental benefits, the proposal could lose a maximum of 100 points. Points for environmental benefits are not awarded in this category.

3. Project Management and Implementation (-100 points)

Each application is evaluated on the basis of the following criteria. Deficiencies in the project management plan will result in the loss of points.

- Has the applicant identified the staff required necessary for successful project management?
- Is there adequate funding in the project budget to effectively manage the project?
- Could any hurdles in project management or coordination with public or private entities prevent successful project implementation?

- Has the applicant identified a strategy for integrating public input into project development and implementation?
- Has the applicant identified a strategy for managing consultants or contractors responsible for the completion of major project tasks.

4. Technical Merit (400 points)

Standard principles of engineering, research, and program development are used to evaluate a proposal's technical merit. Coordinating agencies must indicate that a project meets the standards and complies with state law. Applicants also must either hold or show the ability to acquire all of the land and water right interests necessary to implement the proposal. Proposals that use commonly accepted technology and are not experimental efforts are more competitive than those that use a more experimental type of technology to solve a common problem. Proposal time lines must be reasonable and well documented. Up to 400 points are awarded to an application under the technical merit category.

5. Renewable Resource Benefits (600 Points)

Renewable Resource benefit criteria are based on Montana statutes. Up to 600 points may be awarded, depending on the degree to which these tests apply.

A. Resource Conservation, Management, or Protection (300 points)

Will the project:

- result in a quantifiably significant contribution to renewable resource conservation or management that protects existing uses and ensures adequate future supplies of renewable resources for domestic, agricultural, industrial and other beneficial uses? (75 points)
- protect or preserve resources such as land, air, water, or wildlife, to ensure the long-term quality of Montana's renewable resources (75 points)
- develop a renewable natural resource to provide future benefits to Montanans? (75 points)
- support prior project phases or activities implemented as part of an ongoing program in support of renewable resource conservation and management? (75 points)

B. Renewable Resource Enhancement (200 points)

Does the project:

- develop natural-resource-based recreation? (40 points)
- develop off-stream or tributary water storage? (40 points)
- improve water quality and/or water use efficiency, including the installation of measuring devices? (40 points)
- advance farming practices that reduce agricultural chemical use? (40 points)
- support the development of state, tribal, or federal water projects? (40 points)

C. Citizen Benefits and Support (100 points)

Will the project:

- provide a quantifiable benefit or service to the public?
- have multiple uses?
- receive documented citizen support?
- provide new, permanent jobs?
- affect a large number of people in Montana?

Renewable Resource Grant and Loan Program

Application Checklist

☒ **Be sure that each of the following items is included in your application . Applications are due no later than May 15, 2000.**

☐ **1. Application Summary**

☐ **2. Proposal Abstract**

☐ **3. Technical Narrative**

☐ **4. Environmental Narrative and Checklist**

☐ **5. Project Management Narrative**

☐ **6. Financial Feasibility Narrative**

☐ **a. Financial Documentation**

☐ **b. Budget Forms**

☐ **c. Applicant Affordability Data**

☐ **7. Renewable Resource Benefits**

Step 1: Application Summary

(All applicants must complete this form.)

1. Name of Applicant(s) _____

2. Project Title _____

3. Federal Tax Identification Number _____

4. Type of Entity _____
(City, County, Tribal Government, District, Other)

5. Type of Project _____
(Irrigation, Municipal Water, Feasibility)

6. Legal Description of Project Location _____

7. Population Served by Project _____
(Number of Farms or Ranches)

8. Number of Households Served by Project _____
(Number of Acres)

9. Authorized Representative _____
(Name)

(Title)

Mailing Address _____
(Street/PO Box)

(City/State/Zip)

(Telephone)

10. Contact Person _____
(Name)

(Title/Firm)

Mailing Address _____
(Street/PO Box)

(City/State/Zip)

(Telephone) (Fax Number)

11. Proposed Funding Sources

Enter the source and amount of all funding that may be used for this project. For each source, indicate the amount of funding in the appropriate column: grant, loan, or any other source including cash reserves. Total the amount for each source. Indicate all potential sources of funds that may apply to this project. The fact that you have not yet applied for the funds or have not yet received a commitment from the source does not matter. The total amount of the proposed funding may be greater than the estimated total project cost indicated below.

Name of Funding Source	Amount			
	Grant (\$)	Loan (\$)	Other (\$)	Total (\$)
A. Renewable Resource Program				
B.				
C.				
D.				
E.				
F.				

12. Estimated Total Project Cost \$_____

13. Authorizing Statement

An authorized agent representing the applicant must by his/her signature indicate that the application for funds and expenditure of matching funds, as represented, is officially authorized.

A. Grant Authorization

I hereby declare that the information included in and all attachments to this application are true, complete, and accurate to the best of my knowledge, and that the proposed project complies with all applicable state, local, and federal laws and regulations.

I further declare that, for _____ (Project Sponsor), I am legally authorized to enter into a binding contract with the Department of Natural Resources and Conservation to obtain funding if this application is approved. I understand that all funds must be authorized by the Montana Legislature and that grant funds will become available only as Resource Indemnity Trust Fund interest is earned.

Project Sponsor

Date

Authorized Representative (signature)

Title

B. Loan Authorization

I hereby declare that the information included in and all attachments to this application are true, complete, and accurate to the best of my knowledge, and that the proposed project or activity complies with all applicable state, local, and federal laws and regulations.

I further declare that, for _____ (Project Sponsor), I am legally authorized to enter into a binding contract with the Department of Natural Resources and Conservation to obtain loan financing if this application is approved. I understand that all funds must be authorized by the Montana Legislature, that loan funds will become available after the sale of state bonds, and that I will be expected to enter into a Bond Purchase Agreement when funding is available and according to my construction schedule.

Project Sponsor

Date

Authorized Representative (signature)

Title

Step 2: Proposal Abstract

Prepare a clear and concise description of your proposal that describes how the merits of the project provide benefits that support the purpose of the Renewable Resource Grant and Loan Program. This proposal abstract will be used to inform the review team and the public of the range of proposals submitted. DNRC staff will edit the abstract for spelling and obvious grammatical errors only. Because it will be incorporated into the Renewable Resource Grant and Loan Program's Report to the Montana Legislature, you should be careful to provide accurate information in the abstract that best describes the renewable resource benefits and other merits that will be achieved.

Your abstract should consist of no more than 300 words. Longer abstracts will be returned to you for redevelopment.

On your own paper, use the following format for your abstract.

Proposal Abstract

Submitted to Department of Natural Resources and Conservation

Applicant Name _____

Project Title _____

Project Description:

Step 3: Technical Presentation

Describe the work to be done with Renewable Resource Grant and Loan Program funds and with any matching funds committed to the project. Be careful to distinguish phases of the project that are completed before or after the term of the grant. Do not confuse tasks associated with past or future phases with the tasks of the proposed project. Discuss past phases or phases currently underway only as part of the history of your project.

For example, suppose an irrigation district is taking steps to improve irrigation infrastructure and is seeking funding to line irrigation canals. Currently, the district is installing new headgates on its main canal, and in the future the district plans to install measuring devices. In this scenario, the project proposal concerns **only** the canal-lining project. The applicant should discuss the technical merits of only the lining phase of the project.

Instructions For Technical Narrative

Use the **Outline for Technical Narrative on the following page** to organize your presentation and to ensure that nothing is omitted from your discussion.

Explain the existing situation and the problem. Then describe the problem and why the preferred alternative was chosen for a solution. Also discuss the specific tasks that will be carried out through project implementation. Finally, describe any appropriate alternative solutions to the problem and discuss why these solutions were ruled out in favor of the preferred alternative. Enough information is needed to assess the technical feasibility of your project accurately.

On your own paper, use the following format for your narrative.

Technical Narrative	
Applicant Name	_____
Project Title	_____
Narrative Discussion:	

Step 4: Environmental Evaluation

In order to avoid problems that would cause delays, add significantly to project costs, or even prevent a project from being carried out, all applicants must consider the potential environmental impacts of their projects. Preparation of this document can alert applicants to considerations in the location, design, or construction of projects that will help to avoid potential adverse environmental impacts or expensive mitigation or construction costs.

Instructions for completing the Environmental Narrative

Provide a narrative evaluation of the potential environmental impacts for each of the appropriate project alternatives including the preferred alternative. Use the checklist on the following pages as a guide in your consideration of environmental impacts. Your narrative should describe and document the environmental resources of the area affected. Include any previous environmental assessments or analyses previously completed in addition to the completed environmental checklist.

Applicants must identify the sources consulted for the completion of the Environmental Evaluation. Sources may include studies, plans, documents, or the persons, organizations, or agencies contacted for assistance.

Instructions for Completing the Environmental Checklist

Complete an Environmental Checklist for each of the appropriate project alternatives. All applicants must submit the environmental checklist. DNRC will review the comments and prepare its own environmental evaluation to determine whether further information is required.

Five possibilities are listed on the form:

1. **N** No Impact Anticipated or Not Applicable to This Project
2. **B** Potentially Beneficial Effect
3. **A** Potentially Adverse Impact
4. **P** Agency Approval or Permits Required
5. **M** Mitigation Actions Required

A space is provided next to each of the subject areas. Fill in each of the blanks using one of the letters in the key at the top of each page. In some cases, it may be appropriate to indicate more than one possibility. If impacts on a subject area are anticipated or mitigation action is required, the applicant must describe the situation in the "Comments" section at the end of the checklist.

Where a potentially adverse impact is projected, the applicant must provide the following:

1. a description and analysis of any reasonable alternatives that would avoid the impact and a justification for the selected alternative;
2. an evaluation of appropriate short and long-term measures to mitigate the potentially adverse impact and a discussion of the effects of those mitigative measures on the proposed project.

For assistance in preparing the Environmental Checklist, contact DNRC at 444-6668.

- 5. For construction projects, provide a specific description of the project implementation plan.**
 - A. Discuss each phase of project construction, including any planning or design activities that must be completed prior to initiating construction activities.
 - B. Present a detailed project schedule broken down by project task or objective.
 - C. Quantify the staffing time necessary to complete the project.
 - D. Identify the contracted services necessary to complete the project.
 - E. Discuss any unknowns in the proposal that require future resolution.

- 6. For research, study, educational, feasibility, or design projects, provide a specific description of the project implementation plan.**
 - A. Describe the overall approach to your work-plan that you plan to use to implement the project.
 - B. Identify each of the project phases, and the specific tasks that make-up each project phase.
 - C. Present a detailed project schedule broken down by project task or objective.
 - D. Quantify the staffing time necessary to complete the project.
 - E. Identify the contracted services necessary to complete the project.
 - F. Discuss any unknowns in the proposal that require future resolution.

- 7. Provide supporting technical documentation.**
 - A. Provide data on the natural features of the project area, such as soils, vegetation, and hydrology.
 - B. Include any draft and/or completed technical reports and studies on the project.
 - C. Provide a topographic map or aerial photo that shows the project location by sections, townships, and ranges. (Show titles on all maps, and include both a scale and a north arrow.)
 - D. Identify any applicable statutes, rules, regulations, and standards to be met.
 - E. Identify any licenses, permits, easements, and other agreements necessary to conduct the project.

Step 4: Environmental Evaluation

In order to avoid problems that would cause delays, add significantly to project costs, or even prevent a project from being carried out, all applicants must consider the potential environmental impacts of their projects. Preparation of this document can alert applicants to considerations in the location, design, or construction of projects that will help to avoid potential adverse environmental impacts or expensive mitigation or construction costs.

Instructions for completing the Environmental Narrative

Provide a narrative evaluation of the potential environmental impacts for each of the appropriate project alternatives including the preferred alternative. Use the checklist on the following pages as a guide in your consideration of environmental impacts. Your narrative should describe and document the environmental resources of the area affected. Include any previous environmental assessments or analyses previously completed in addition to the completed environmental checklist.

Applicants must identify the sources consulted for the completion of the Environmental Evaluation. Sources may include studies, plans, documents, or the persons, organizations, or agencies contacted for assistance.

Instructions for Completing the Environmental Checklist

Complete an Environmental Checklist for each of the appropriate project alternatives. All applicants must submit the environmental checklist. DNRC will review the comments and prepare its own environmental evaluation to determine whether further information is required.

Five possibilities are listed on the form:

1. **N** No Impact Anticipated or Not Applicable to This Project
2. **B** Potentially Beneficial Effect
3. **A** Potentially Adverse Impact
4. **P** Agency Approval or Permits Required
5. **M** Mitigation Actions Required

A space is provided next to each of the subject areas. Fill in each of the blanks using one of the letters in the key at the top of each page. In some cases, it may be appropriate to indicate more than one possibility. If impacts on a subject area are anticipated or mitigation action is required, the applicant must describe the situation in the "Comments" section at the end of the checklist.

Where a potentially adverse impact is projected, the applicant must provide the following:

1. a description and analysis of any reasonable alternatives that would avoid the impact and a justification for the selected alternative;
2. an evaluation of appropriate short and long-term measures to mitigate the potentially adverse impact and a discussion of the effects of those mitigative measures on the proposed project.

For assistance in preparing the Environmental Checklist, contact DNRC at 444-6668.

Key Letters: N - No Impact/Not Applicable; B - Potentially Beneficial; A - Potentially Adverse; P - Approval/Permits Required; M - Mitigation Required

Physical Environment	No Impact	Potentially Adverse	Potentially Beneficial	Permits/ Approval	Mitigation Required
1. Soil Suitability, Topographic, or Geologic Constraints					
2. Relation to hazardous facilities					
3. Effects on surrounding air quality resulting from the project					
4. Groundwater Resources					
5. Surface water quality, quantity, and distribution					
6. Floodplains and Floodplain Management					
7. Wetland Resources					
8. Agricultural Lands, grazing, crop production					
9. Fish & Wildlife Species					
10. Vegetation, habitats, and ecotypes					
11. Unique, Threatened, or Endangered, Species or Habitat					
12. Unique Natural Features					
13. Access to recreational activity, public lands, open space					

Comments(use additional pages if necessary)

Key Letters: N - No Impact/Not Applicable; B - Potentially Beneficial; A - Potentially Adverse; P - Approval/Permits Required; M - Mitigation Required

Human Environment	No Impact	Potentially Adverse	Potentially Beneficial	Permits/ Approval	Mitigation Required
1. Visual Quality, Aesthetics					
2. Nuisances (odor, dust)					
3. Noise					
4. Historical Properties and Archeological Resources					
5. Public Health and Safety					
6. Local and State Tax Base revenues					
7. Commercial and Industrial Facilities					
8. Social Services - Governmental Services					
9. Land-use Compatibility					
10. Energy Resources - Consumption, Conservation					
11. Solid Waste Management					
12. Wastewater Treatment					
13. Storm Water - Surface Drainage					
14. Community Water Supply					
15. Recreational Facilities					
16. Transportation Networks and Traffic Flow					
17. Consistency with Local Ordinances					

Comments: (use additional pages if necessary)

Step 5: Project Management Plan

Effective planning and management is an essential component of successful project implementation. DNRC is interested to know you plan to control the management issues that are key to successful project implementation. For example, what controls will you implement to insure that subcontractors will maintain the project schedule and provide timely and accurate progress reporting? What steps will you take to integrate public involvement throughout the course of the project? The outline for the Project Management Narrative addresses the management issues that DNRC will consider in evaluating the feasibility of your project. Structure your narrative accordingly.

Instructions for the Project Management Narrative

Discuss how you plan to implement this project from funding through project completion. Use the outline below to organize your presentation. This outline is not all-inclusive; there are other topics you may wish to address. Two pages should be sufficient to complete this section.

On your own paper, use the following format for your narrative.

Project Management Narrative Applicant Name _____ Project Title _____ Narrative Discussion:

Outline for the Project Management Narrative

1. Identify the staff requirements necessary for successful project management. Discuss how you plan to meet those requirements. If possible, identify the members of your project management team including any consultants that will provide project management services.
2. Discuss any coordination activities with other local, state, or federal agencies that are necessary to implement the project.
3. Discuss how you plan to integrate public input throughout project implementation.
4. Describe the measures you will take to manage consultants that are responsible for completing major project tasks. Discuss the steps you will take throughout project implementation to stay informed on the status of consultant activities as they complete project tasks.

Step 6: Financial Presentation

(Instructions, Outline, Budget Forms, and Affordability Data)

The Financial Presentation is a central component of a successful grant or loan application. In the following section there is some background information that you may find helpful in constructing your presentation. That is followed by a suggested outline for your financial narrative; a list of financial documentation that you should submit with the application; followed by budget forms for listing project expenses; and finally affordability data for those applicants that collect revenues through the assessment of fees.

To help you build a defensible budget, DNRC provides the following definitions of project-specific versus program costs.

Project-Specific Costs are the only costs that DNRC will be reimburse with grant and/or loan funds. Project-specific costs relate directly to the proposed project and will be incurred only if the project is implemented.

Project-specific costs are reimbursed through the following sources.

1. **Grant and Loan Dollars** are those funds contributed by DNRC through the Renewable Resource Grant and Loan Program.
2. **Matching Dollars** are project-specific funds provided by the applicant or a grant or loan from another funding agency. DNRC will require the applicant to provide documentation of all matching expenditures.
3. **In-Kind Contributions** are project-specific, non-dollar contributions that have an associated monetary value. Volunteer labor, loaned equipment, donated materials, and free services are examples of legitimate in-kind contributions. DNRC will require the applicant to provide documentation of all in-kind contributions.

Project Costs vs. Program Costs

Do not include program costs in the project budget. To determine whether a cost is project-specific or a general program cost, the project sponsor must determine how the costs will be accounted. Program costs cannot be broken out separately and applied to a single project. If, for example, the contributor provides services for the applicant or other clients that are carried out irrespective of the project proposal, then salaries associated with these tasks are program costs, not project-specific costs.

Office rent is usually considered a program cost. For example, if a project sponsor currently rents office space and will allocate a portion of the office space to the proposed project, then the allocated portion of rent expense is a contribution of existing program costs. The cost is incurred whether or not the project is implemented. However, if you will need to rent additional office space to implement the project, that additional rental expense is a project cost. Regular staff salaries could be another example of a program cost. Salaries of existing, fully funded staff positions are not considered in-kind contributions unless the man hours associated with the effort expended on the project are accounted for.

You may not use grant funds to supplant regular program costs such as rent, utilities, or salaries. In

You may not use grant funds to supplant regular program costs such as rent, utilities, or salaries. In particular, a state agency or unit of the university system must not use grant funds for costs already legislatively authorized in an appropriation. For more information on this subject, contact DNRC.

Instructions for the Financial Feasibility Narrative

The financial narrative must demonstrate clearly that the funding is available to complete the project and that the project can be completed within the proposed budget. The budget forms, following the narrative, **may not** be used in lieu of the Financial Feasibility Narrative. Failure to submit adequate financial information will jeopardize your chance of receiving project funding.

The financial narrative should describe the use of funds committed to the project from DNRC and from matching funding sources. Do not include the costs for phases of construction completed before or after the term of a DNRC funding agreement. For example, if you have a multi-phase project to improve your community's water system over a 10-year period but now seek funding for a water tank, include only those costs associated with the tank. Do not include costs for work in progress or completed.

On your own paper, use the following format to present your discussion.

Financial Feasibility Narrative Applicant Name _____ Project Title _____ Narrative Discussion:
--

Outline for the Financial Feasibility Narrative

The outline for the Financial Feasibility Narrative addresses the topics that DNRC will consider in the evaluation of the financial feasibility of your project. Structure your narrative accordingly. This outline is not all-inclusive; there are other topics you may wish to address.

1. Explain the total budget.

The narrative must explain the basis of the figures provided in the budget tables. Show how the amounts in each of the budget line items were calculated. For example, if the project budget identifies \$12,600 in material costs, provide the breakdown for all material costs (120 tons of gravel @ \$30 per ton = \$3,600 and 50,000 square feet of geotex material @ \$0.18 per square foot = \$9,000. Total material cost = \$12,600).

Contract Administration

These costs include salaries, contracted services, and associated costs of administering the proposed project. Identify the amount necessary to successfully manage the project. Express this amount as a percentage of total project cost. The applicant must demonstrate that these costs are project-specific above and beyond general program costs. DNRC will only reimburse

administration costs that are project specific. University indirect costs for the purpose of grant administration are not eligible for grant funding.

Professional and Technical Costs

Include the cost of personnel or contracted services for professional services in this category. Examples include the cost of hiring an engineer, researcher, or attorney. These costs must be project-specific. **Provide the unit costs for all professional staff and contracted personnel.**

Construction Costs

These costs include costs of construction, equipment purchase, land, structures, and materials. Estimates of construction costs should include a ten percent contingency factor to protect against cost overruns. You may include an inflation factor, accounting for any time lapses between project approval and receipt of funding. Identify this cost on the budget forms.

- A. Provide enough information to show clearly how the construction cost estimates were developed. The discussion should describe unit costs where applicable.
- B. Provide the preliminary cost estimates used to evaluate the alternatives to the proposed project.
- C. If another application with either greater or lesser project costs represented has been submitted to a funding agency, explain the discrepancy.

2. Identify the operation and maintenance costs necessary to support the project in the future. Identify the source of funds you will use to cover these expenses.

Grant or loan funding is often used to cover the construction costs for facilities and other infrastructure. Infrastructure includes items like riparian fencing and off-stream watering facilities. Discuss how you plan to provide funding for the ongoing operation and maintenance of facilities and infrastructure constructed with grant or loan funding.

3. Describe the funding structure that ensures the project is financially feasible.

The information you provide should demonstrate that adequate sources of funds are available to complete the proposed project. Include grants, loans, matching dollars, and in-kind contributions.

- A. Identify any matching funds or in-kind contributions that the applicant will provide in support of the project budget.
- B. Identify the other sources of matching dollars and the amount of contribution they will provide.
- C. Identify the other sources of in-kind contributions and the value of the contributions they will provide. Eligible in-kind contributions are only those project specific contributions associated directly with project implementation.
- D. Indicate whether any other costs remain undefined at the time of application.

Important Note:

Be careful to include **only** matching funds or in-kind contributions that will be available and can be documented. DNRC will reimburse a percentage of the project costs that are incurred and documented. However, any reduction in matching funds or the inability to document the use of matching funds may result in a proportionate reduction in grant funds. For example, if

your total estimated budget is \$200,000 and you receive a grant award of \$100,000 for your proposal, DNRC grant funds will reimburse actual documented costs at a rate of 50 percent ($\$100,000 / \$200,000 = .5$). If, through the course of the project, you are able to document only \$100,000 in project specific costs then DNRC will reimburse 50 percent of only those costs, or \$50,000. Total grant funding will thereby be reduced from \$100,000 to \$50,000 in accordance with the grant share percentage of total of documented expenditures.

4. Provide loan information.

- A. Will tax revenues be pledged for repayment? If yes, will this be a special tax levy (e.g. a special improvement district) or will it be a pledge of the general taxing authority of the local government?
- B. Will rates and charges be pledged for repayment (i.e. a revenue bond)? If yes, please describe the rates and charges of the system. Include in this discussion information about number of users and the method of calculating the rates (e.g. is it based on quantity of water or just on a per hook-up basis). Also, using the last fiscal year's information, what were the total revenues of the system and what was the cost of the operation and maintenance of the system?
- C. Is there any outstanding debt that relies on the same revenues that will be the basis of the DNRC loan? If yes, what is the amount of the debt, what is the remaining term of the debt, and, if possible, please provide a copy of the bond resolution associated with the outstanding debt.
- D. Use a rate of six percent (6%) over a 20-year term to calculate annual debt service payments associated with a Renewable Resource loan. Using this information along with current rate or tax information for the system, discuss the overall financial status of the local government. To be eligible for a below market rate of interest, the applicant must demonstrate a high financial need as measured by comparable systems in Montana.

Financial Documentation

Submit supporting documentation to provide evidence of the financial feasibility of the proposed project.

- 1. Include copies of estimates used to generate the project budget.**
- 2. If you applied to other funding agencies for grant and/or loan funds for the same project provide the following:**
 - A. indication of the date a funding decision is expected, and whether you requested a grant or a loan;
 - B. if funding has been secured, a copy of the notice of award.
- 3. If other agencies, associations or individuals will provide in-kind or match funding, provide the following information:**
 - A. copies of correspondence to show the date assistance was requested, the type of assistance (whether matching dollars or in-kind contribution), and the amount; date a funding decision is expected;
 - B. if funding has been secured, provide copies of correspondence documenting funding

commitments and type of funds committed (matching dollars or in-kind contribution).

Instructions for Completing the Budget Forms

Complete one set of budget forms to indicate the details of the total estimated project cost. Show only those costs that you will document during project implementation. Include only costs directly related to the project. Do not include costs that will occur whether or not this project is implemented. These programmatic costs may not be included in this budget or attributed to the project, although they may support the project indirectly.

Use one column for each sponsor and for each type of funding (grant or loan). Add more columns if you need them. Place the name of contributors from other sources in the "other" columns. If all sources of funds are not secured, label one column "Unknown". The sum of the totals of each column must add up to the total estimated project cost.

1. Contract Administration

Category	DNRC Grant	DNRC Loan	Project Sponsor	Other Specify	Other Specify	Total
Project Manager						
Administrative Support						
Benefits						
Legal Fees						
Accounting						
Subtotal						
Communications						
Supplies						
Travel						
Rental						
Total Administration						

2. Professional and Technical Costs

Category	DNRC Grant	DNRC Loan	Project Sponsor	Other Specify	Other Specify	Total
Professional _____						
Professional _____						
Benefits						
Contracted Services						
Travel						
Subtotal Professional						
Laboratory						
Communications						
Printing						
Equipment						
Subtotal Technical						
Total Professional & Technical						

Category	DNRC Grant	DNRC Loan	Project Sponsor	Other Specify	Other Specify	Total
Labor						
Materials						
Equipment						
Construction Contract						
Contingency (10%)						
Total Construction						

4. Total Costs

A. Total Administration						
B. Total Professional & Technical						
C. Total Construction						
Total Project Cost						

Applicant Affordability Data

Complete the following section only if your organization (i.e., cities, counties, irrigation districts, grazing districts, conservation districts) generates revenues through user fees or other assessments.

Revenue and Rate Information

1. Total Revenue

Total annual revenue \$ _____

Current rate or assessment levied on each user or acre \$ _____

Total number of users or acres that contribute to the revenue stream _____

Cost per additional unit or acre/foot \$ _____

2. Total number of users that will be served by the project _____

3. Amount assessed per user in support of project funding \$ _____

4. Total amount or value of applicant matching contribution \$ _____

5. Projected average monthly or annual rate \$ _____

Calculate the **projected average monthly** rate that will be charged to users after the proposed project is completed. The projected rate should include the current rate, plus increases that are anticipated to retire any debt to be incurred to finance the project, plus any increases in operating costs. **Applicants should assume that all requested and/or uncommitted funds will be received.**

Please display the calculations and assumptions used in determining the projected rate. For assistance with this calculation, contact DNRC at (406) 444-6668.

Step 7: Renewable Resource Benefits

(Instructions and Outline for Narrative)

Instructions for the Renewable Resource Benefits Narrative

Use the outline for the Renewable Resource Benefits Narrative on the following page to organize your presentation. Describe the measurable benefits to renewable resources that your project will achieve. Describe how the project achieves the benefits prescribed in statute. Grant proposals are ranked according to the renewable resource benefits that will result from project implementation. Projects that achieve the greatest benefits to renewable resources receive the greatest number of most points. DNRC is constrained by law in ranking grant proposals. Thus, a project that benefits health and safety would not receive ranking points unless it also provides the benefits prescribed in MCA Title 85, Chapter 1, Part 602. The statute is spelled out below.

Project reviewers need enough information to determine whether the benefits claimed in your proposal can be measured and are actually attainable. If you fail to provide adequate information, DNRC may contact you to require additional information and documentation before review of your proposal continues.

If you have completed objective studies that assess your project and its potential benefits, provide copies of these studies as attachments. If you have not conducted a formal benefit analysis, describe the process you used to assess and, if possible, quantify the benefits of your project.

MCA §85-1-602

- (1) Objectives: The Department [of Natural Resources and Conservation] shall administer a renewable resource grant and loan program to enhance Montana's renewable resources through projects that measurably conserve, develop, manage, or preserve resources. Either grants or loans may be provided to fund the following:
 - (a) feasibility, design, research, and resource assessment studies;
 - (b) preparation of construction, rehabilitation, or production plans; and
 - (c) construction, rehabilitation, production, education, or other implementation efforts.
- (2) Projects that may enhance renewable resources in Montana include but are not limited to:
 - (a) development of natural resource-based recreation;
 - (b) development of off-stream and tributary storage;
 - (c) improvement of water use efficiency, including development of new, efficient water systems, rehabilitation of older, less efficient water systems, and acquisition and installation of measuring devices required under MCA 85-2-113; and development of state-tribal, state-federal, and state-tribal-federal water projects; and
 - (d) advancement of farming practices that reduce agricultural chemical use.
- (3) The renewable resource grant and loan program is the key implementation portion of the state water plan and must be administered to encourage grant and loan applications for projects designed to accomplish the objectives of the plan.

Renewable Resource Benefits Narrative

Applicant Name _____

Project Title _____

Narrative Discussion:

Outline for the Renewable Resource Benefits Narrative

The outline below addresses the topics that DNRC will consider in evaluating the renewable resource benefits of your project. Structure your narrative accordingly. This outline is not all-inclusive; there are other topics you may wish to address. This narrative should not exceed two pages in length.

1. Describe the project's renewable resource benefits.
 - A. Discuss the ways your project will implement the statutory goals of the Renewable Resource Grant Program.
 - B. Describe the method used to evaluate and quantify the project's benefits.
 - C. Discuss the benefits to citizens that will result from the project.
2. Provide evidence that the project you propose will measurably enhance a renewable resource in Montana. For example, quantify the number of river miles or acres that will benefit from the project. Enhancement includes:
 - A. Conservation and management to protect existing uses and/or to promote efficiency to ensure adequate future supplies of renewable resources for domestic, agricultural, industrial and other beneficial uses.
 - B. Preservation and protection to ensure the long-term quality of Montana's renewable resources.
 - C. Development to ensure that renewable resources are put to beneficial use.
3. Describe the level of public support for the project. What citizen groups (e.g., watershed councils, sportsmen groups, development councils) have enlisted support for the project? What measures have you taken or do you plan to take to lay the groundwork necessary to ensure project success? (Attach letters of support as evidence.)
4. To what extent does this project represent a larger commitment or ongoing program of resource conservation and management, or what other similar projects has the applicant implemented that support renewable resource conservation and management?
5. If the project presents the opportunity for additional conservation measures (e.g., water meters, measuring devices, BMPs) and your project does not take advantage of these opportunities, explain why.

Persons with disabilities who need an alternative, accessible format of this document should contact DNRC at the address shown below. Phone 406 444-2074 or fax 406 444-2684.



DEPARTMENT of NATURAL RESOURCES AND CONSERVATION

1625 11TH AVENUE

P.O. Box 201601

HELENA, MT 59620-1601

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